

Message Text

LIMITED OFFICIAL USE

PAGE 01 JAKART 04343 120407 Z

73

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PA-03 USIA-12 PRS-01

RSR-01 INRE-00 /105 W

----- 046534

P 120323 Z APR 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 6441

LIMITED OFFICIAL USE JAKARTA 4343

E. O. 11652: N/ A

TAGS: EGEN, ID

SUBJECT: NEWSWEEK ARTICLE ON INDONESIAN INVESTMENT CLIMATE

REF : STATE 066743

FOLLOWING IS THE TEXT OF NEWSWEEK ARTICLE REQUESTED REFTEL:

INVESTMENT: INDONESIAN PERILS

1. IT IS ENOUGH TO SCARE ANY FOREIGN VISITOR AWAY. THE DIM INTERIOR IS LIT BY 40- WATT BULBS, THE ROOMS ARE FURNISHED WITH PLASTIC CHAIRS WHOSE FOAM STUFFING IS FALLING OUT AND THE WALLS GIVE OFF A FAINT DAMP ODOR. A FEW FLOOR SWEEPERS SHUFFLE AIMLESSLY ABOUT. THE TOTAL BUDGET FOR THE 50 EMPLOYEES WHO WORK IN THESE DISMAL SURROUNDINGS, INCLUDING MAINTENANCE AND PUBLICATION COSTS, AMOUNT TO THE INCREDIBLY PALTRY SUM OF \$1,690 A MONTH. BUT THE VISITOR, IF HE IS A BUSINESSMAN FROM ABROAD, HAS FOUND THE CORRECT ADDRESS -- THIS IS INDONESIA'S FOREIGN INVESTMENT BOARD.

2. TO MANY DISENCHANTED FINANCIERS, THE APPEARANCE OF THE FIB OFFICES IN JAKARTA SYMBOLIZES THE STATE OF DISARRAY IN INDONESIA'S ECONOMIC PLANNING TODAY. JUST SIX YEARS AGO, THE COUNTRY APPEARED

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JAKART 04343 120407 Z

TO BE A BLOSSOMING INVESTORS' PARADISE. THE TURBULENT SUKARNO ERA HAD ENDED, AND A PRAGMATIC ARMY- TECHNOCRAT ALLIANCE LED BY GENERAL SUHARTO HAD PUSHED THROUGH A LIBERAL FOREIGN- INVESTMENT LAW. INFLATION, ONCE SOARING AT AN ASTOUNDING ANNUAL RATE OF OVER 600 PERCENT UNDER SUKARNO, HAD BEEN CUT DOWN TO 2 PER CENT, AND A COMFORTABLE FEELING OF ECONOMIC AND POLITICAL STABILITY ATTRACTED A MASSIVE OFFERING OF U. S., JAPANESE AND AUSTRALIAN CAPITAL. SINCE THEN, FOREIGN OIL COMPANIES, MOSTLY AMERICAN, HAVE SPENT AN ESTIMATED \$1.3 BILLION IN PRODUCTION- SHARING CONTRACTS WITH PERTAMINA, INDONESIA' S STATE OIL ENTERPRISE, AND A TOTAL APPROACHING \$2 BILLION WORTH OF NON- OIL INVESTMENTS HAS BEEN APPROVED. BUT, NEWSWEEK' S JUDY BIRD WILLIAMS REPORTED LAST WEEK, THERE IS A CATCH: ONLY ABOUT A QUARTER OF THE INVESTMENTS APPROVED HAVE BEEN IMPLEMENTED. AND SOME U. S. COMPANIES, FRUSTRATED BY MONTHS OF STRUGGLE WITH INDONESIAN BUREAUCRACY, ARE ON THE VERGE OF TAKING THEIR DOLLARS ELSEWHERE.

3. WHAT HAS GONE WRONG? FOR ONE THING, NEITHER SIDE APPEARS TO BE AT EASE WITH THE OTHER. " THE NUMBER OF NERVOUS BREAKDOWNS, ULCERS AND CASES OF ALCOHOLISM WITHIN THE FOREIGN COMMUNITY," SAYS A WESTERN DOCTOR, " IS HIGHER THAN ANYWHERE I' VE SEEN." THE AVERAGE INVESTOR, AFTER BEING WELCOMED BY THE FIB, HAS TO DEAL WITH AT LEAST FOUR MINISTRIES. BROKEN APPOINTMENTS AND WEEKS OF WAITING BY THE HOTEL PHONE ARE THE NORMAL LOT OF VISITING BUSINESSMEN. ONE U. S. EXPERT WAS SUMMONED HASTILY TO JAKARTA -- ONLY TO WAIT TWO WEEKS BEFORE FINALLY FLYING AWAY WITHOUT HAVING SEEN ANYONE.

4. LAGS: ONCE A PROJECT IS APPROVED, THE INVESTOR FINDS HIS TROUBLES HAVE ONLY BEGUN. MANUFACTURERS HAVE BEEN PARTICULARLY HARD HIT BY SUDDEN CHANGES IN THE RULES OF THE GAME: NEW TAXES ON THEIR RAW MATERIALS, OR UPWARD REVISINS OF HE PAYBACK PERIOD. IN MINING, TIGHTENED MINISTRY OF FINANCE REGULATIONS ON PROFITS AND WITHHOLDING TAXES HAVE HALTED THE SIGNING OF ALL NEW CONTRACTS SINCE LAST JUNE, DESPITE THE FACT THAT SIXTEEN COMPANIES ARE IN LINE. FURTHERMORE, THE PORT OF TANJUNGPRIOK IN JAKARTA REMAINS A BOTTLENECK OF CORRUPTION AND DELAYS. " WHAT TOOK FOURTEEN DAYS BEFORE TO CLEAR IS NOW AVERAGING 30 DAYS," CLAIMS ONE INVESTOR.

5. WHILE ALL FOREIGN BUSINESSES SUFFER FROM SOME OF THESE AGGRAVATIONS, THE U. S. COMPANIES -- ALTHOUGH STILL THE BIGGEST INVESTORS -- SEEM TO BE PLAGUED BY MORE PROBLEMS THAN MOST. ONE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JAKART 04343 120407 Z

REASON MAY BE THE FACT THAT MANY OF THEM ARE INTERESTED PRIMARILY

IN PRODUCING GOODS FOR THE LOCAL MARKETS -- PRODUCTS THAT SOME PURITAN INDOESIAN BUREAUCRATS MAY FEEL THE COUNTRY DOES NOT REALLY NEED. THE JAPANESE, WHO, ON THE OTHER HAND, ARE RAPIDLY EXPANDING THEIR INDONESIA EFFORTS, ARE CONCENTRATING MORE ON DEVELOPING INDONESIA'S RESOURCES AS SOURCES OF RAW MATERIALS. FURTHERMORE, THE JAPANESE APPEAR MORE READILY ADAPTABLE TO THE PACE

AND STYLE OF INDONESIAN BUSINESS. JAPANESE CONTRACTS ARE AS VAGUE AS THE INDONESIANS COULD WISH, AND THE JAPANESE SHARE THE ASIAN VIEW THAT EVERYTHING CAN BE NEGOTIATED. AND AUSTRALIA'S INVESTORS -- UNLIKE THEIR AMERICAN COUNTERPARTS WHO COMPLAIN THAT THE U. S. EMBASSY DOES LITTLE TO HELP THEM -- RECEIVE AN EXTRAORDINARY AMOUNT OF OFFICIAL GUIDANCE THAT EASES THE WAY. "BUSINESSMEN ARE BRIEFED AND GUIDED BY THE AUSTRALIAN EMBASSY FROM THE TIME THEY ARRIVE UNTIL THERE'S A FIRM RESULT," BOASTED A SENIOR AUSTRALIAN TRADE OFFICER IN JAKARTA.

6. MANY AMERICANS, ON THE OTHER HAND, APPEAR TO HAVE PLUNGED INTO INDONESIA WITHOUT REALIZING THEY WERE IN A TOTALLY DIFFERENT, COMPLEX SOCIETY. "THOSE PHARMACEUTICAL COMPANIES," SAYS ONE INVESTOR "THOUGHT THEY'D POP A PILL A DAY INTO 126 MILLION MOUTHS. THEY DIDN'T DO THEIR HOMEWORK. IN FACT, PER CAPITA INCOME STILL HOVERS AROUND THE \$80 LEVEL." WHAT'S MORE, A U. S. EXPATRIATE TOLD WILLIAMS, "HALF OF THE AMERICANS HERE DON'T EVEN KNOW HOW TO PRONOUNCE THE NAMES OF THE INDONESIANS THEY ARE TALKING TO."

7. ALL IN ALL, ONE U. S. MINING EXECUTIVE SUMMED UP, "I HAVE A FEELING THAT AMERICAN BUSINESS WILL NOT BE PLAYING A DOMINANT ROLE IN SOUTHEAST ASIA TWENTY YEARS FROM NOW. THE EDGE THAT WE HAD IN THE PAST IS FAST DISAPPEARING."
TOUSSAINT

LIMITED OFFICIAL USE

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 12 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART04343
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730446/aaaaislf.tel
Line Count: 150
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 066743
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by martinml>; APPROVED <22 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980126
Subject: NEWSWEEK ARTICLE ON INDONESIAN INVESTMENT CLIMATE
TAGS: EGEN, ID, EGEN
To: EA
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005